

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 COME-00 H-03 L-03 FTC-01 TRSE-00

CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 DRC-01 /048 W

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R 181930Z APR 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 509

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 1396

E.O. 11652: N/A

TAGS: EDIS

SUBJECT: RUDOLF MIROW AND ALLEGED CARTEL OF ELECTRICAL EQUIPMENT
MANUFACTURERS

SUMMARY. ON WEDNESDAY, APRIL 10, 1974 CONGEN OFF RECEIVED
TELEPHONE CALL FROM LOCAL BRAZILIAN BUSINESSMAN K. RUDOLF
MIROW ADVISING THAT HE HAD BEEN REQUESTED IN NAME OF SENATOR
PHILLIP HART OF MICHIGAN TO TRAVEL TO US FOR THE PURPOSE OF
TESTIFYING ON ALLEGED ILLEGAL ACTIVITIES OF AN INTERNATIONAL
CARTEL OF ELECTRICAL EQUIPMENT MANUFACTURERS, INCLUDING THE US
FIRMS GENERAL ELECTRIC AND WESTINGHOUSE. MR. MIROW HAS DISCUSSED
THIS MATTER OF ILLEGAL CARTEL ACTIVITIES WITH CONGEN OFFICERS
IN THE PAST. THESE DISCUSSIONS, HOWEVER, HAVE NOT REVEALED ANY
SIGNIFICANT SUBSTANCE OR EVIDENCE TO SUPPORT THE ALLEGATIONS.
END SUMMARY

1. MR. RODOLF MIROW, A DIRECTOR OF A SMALL LOCAL MANUFACTURER
(CODIMA) TELEPHONE CONGEN OFF LATE WEDNESDAY, APRIL 10, 1974,
TO REPORT THAT HE HAD RECEIVED A CALL FROM A MR. DAVID MARTIN
OF SENATOR PHILLIP HART'S OFFICE ON MONDAY, APRIL 8, 1974,
REQUESTS THAT HE TRAVEL TO THE US TO TESTIFY BEFORE SENATOR HART
ON ALLEGED ILLEGAL ACTIVITIES OF AN INTERNATIONAL CARTEL OF
ELECTRICAL EQUIPMENT MANUFACTURERS. MR. MIROW SAID HE WAS
LEAVING RIO ON THURSDAY, APRIL 11, AND, AFTER A LAYOVER IN NEW YORK,
WOULD PROCEED TO WASHINGTON ON MONDAY, APRIL 15, FOR HIS
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APPOINTMENT WITH SENATOR HART ON TUESDAY, APRIL 16.

2. MR. MIROW'S ALLEGATIONS BASICALLY COMPRISE THE FOLLOWING ELEMENTS:

A. THERE IS AN INTERNATIONAL CARTEL AGREEMENT OPERATING IN BRAZIL MADE UP OF GE, WESTINGHOUSE/CHALEROI, BROWN-BOVERI, SIEMENS AND THE JAPANESE FIRMS OF TOSHIBA, HITACHI AND MITSUBISHI. THESE MEMBER FIRMS ARE ALLEGED TO BE COLLUDING IN PRICE AGREEMENTS, MARKET ALLOCATION AGREEMENTS, AND IN SABOTAGING AND DRIVING LOCAL COMPETITORS OUT OF BUSINESS. THE MEMBER FIRMS OPERATE A "COMBAT FUND" THAT SUPPORTS SALE OF PRODUCTS FOR LESS THAN FAIR VALUE AND REBATE SCHEMES.

3. MR. MIROW ALLEGES THAT HIS FIRM HAS SUFFERED LOSS OF BUSINESS AS A RESULT OF THESE ACTIVITIES. HE IS KNOWN TO HAVE EXPRESSED HIS GRIEVANCES TO THE GERMAN CONSULAR OFFICIALS IN RIO, TO GE OFFICIALS, RIO NEWSPAPERS, AND A LOCAL ELECTRICAL INDUSTRY ASSOCIATION. HIS FIRM HAS FILED A COMPLAINT AGAINST BROWN-BOVERI FOR DUMPING WITH THE BRAZILIAN ANTI-TRUST AGENCY CADE (CONSELHO ADMINISTRATIVO DE DEFESS ECONOMICA).

4. MR. MIROW PROVIDED US WITH SOME WRITTEN MATERIALS IN PORTUGUESE AND ENGLISH TO SUPPORT HIS CLAIMS. THE MOST NOTEWORTHY ARE ALLEGED TO BE ABSTRACTS FROM THE BY-LAWS GOVERNING MEETINGS OF THE CARTEL IN SAO PAULO AND REGULATIONS ON PRICES TO BE BID BY CARTEL MEMBERS FOR SALE OF ELECTRICAL EQUIPMENT.

5. MR. MIROW'S FIRM, CODIMA, WAS FOUNDED IN 1945 AND GENERALLY ENJOYS AN EXCELLENT BUSINESS REPUTATION. IT IS A MANUFACTURER OF ELECTRIC MOTORS AND DIESEL GENERATOR SETS, AND AN IMPORTER OF OTHER ELECTRIC MOTOR PARTS AND COMPONENTS. IT'S NET WORTH IS ESTIMATED AT US\$1 MILLION AND IT ENJOYS MONTHLY SALES OF APPROXIMATELY US\$600,000. IN 1965, THE FIRM WAS FORCED BY A TIGHT WORKING CAPITAL POSITION TO ENTER INTO A CREDITORS AGREEMENT. IT APPARENTLY HAS BEEN MAKING SATISFACTORY PROGRESS IN CANCELLING THESE EXTRAORDINARY FINANCIAL OBLIGATIONS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974RIODE01396
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740090-1136
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740433/aaaabcf.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by boyleja>; APPROVED <12-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RUDOLF MIROW AND ALLEGED CARTEL OF ELECTRICAL EQUIPMENT MANUFACTURERS
TAGS: BDIS, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005